

Message Text

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ORIGIN EUR-12

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DRAFTED BY OASD/ISA: TPHDUNLOP
APPROVED BY EUR/RPM: WTSHINN, JR.
OSD: SEC. BROWN
OASD/ISA: DMCGIFFERT
EUR/WE: VBROD
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O P 030024Z MAY 78
FM SECSTATE WASHDC
TO AMEMBASSY ROME IMMEDIATE
USMISSION USNATO IMMEDIATE
INFO AMEMBASSY BONN PRIORITY
AMEMBASSY OTTAWA PRIORITY
USNMR SHAPE PRIORITY

C O N F I D E N T I A L STATE 112301

E.O. 11652: GDS

TAGS: AWACS, MILI, IT

SUBJECT: NATO AWACS -- ITALIAN PARTICIPATION

REFS: (A) ROME 7441, DTG 211540; APR 78
(B) STATE 97559, DTG 160106Z APR 78
(C) SYSEC SHAPE (AALBORG), DTG 1818145Z APR 78 (NOTAL)

1. WE ARE VERY MUCH ENCOURAGED BY RECENT INDICATIONS
(REFS A AND C) THAT ITALIANS ARE WILLING TO RECONSIDER
THEIR POSITION ON NATO AWACS PARTICIPATION, AND THAT
THEY MAY BE PREPARED TO ACCEPT A SHARE ALONG THE LINES
PROPOSED BY SECRETARY OF DEFENSE BROWN TO MOD RUFFINI
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IN HIS APRIL 15 LETTER (REF B). WE UNDERSTAND ITALIAN
"GUARANTEE" MENTIONED BY MINISTER RUFFINI TO SECRETARY
BROWN ON 18 APRIL (REF C) TO MEAN ITALIANS WILL INSIST
THAT THEIR CONTRIBUTION TO PROCUREMENT OF ABOUT 5 M DOL-
LARS A YEAR THROUGH 1983 BE A FIXED SUM, NOT SUBJECT
TO INFLATION OR EXCHANGE RATE FLUCTUATIONS. PRESUMABLY,
THIS "GUARANTEE" WOULD NOT APPLY TO YEARS 1984 AND

BEYOND, WHEN ITALIAN CONTRIBUTION TO PROCUREMENT WOULD BE SOMEWHAT ABOVE 20 M DOLLARS A YEAR IN 1977 DOLLARS. NOR WOULD IT APPLY TO O AND S COSTS WHICH, AS OUTLINED IN SECDEF LETTER, BEGIN IN 1979 AND CLIMB TO 8.5 M DOLLARS

IN 1983 BEFORE SUBSIDING TO A LEVEL RATE OF ABOUT 7.2 M DOLLARS FROM 1985 ONWARDS (ALL FIGURES 1977 DOLLARS).

2. THE US IS OF COURSE ONLY ONE OF 13 CURRENT PLAYERS ON THE AWACS TEAM AND WE CANNOT COMMIT THE ALLIANCE TO ANY CONDITIONS ITALIANS MAY ATTACH TO THEIR PARTICIPATION. WE THEREFORE BELIEVE ITALIANS SHOULD NOW BEGIN DISCUSSIONS WITH ASYG WALSH AND THE NATO AEW PROGRAM OFFICE (NAPO) STAFF. WE ARE HOWEVER PREPARED TO SUPPORT THE ITALIANS TO A SUBSTANTIAL EXTENT. REQUEST THEREFORE EMBASSY ROME PASS THE FOLLOWING LETTER FROM SECRETARY BROWN TO MOD RUFFINI DATED APRIL 29:

APRIL 29, 1978

THE HONORABLE ATTILIO RUFFINI
MINISTER OF DEFENSE
MINISTRO DELLA DIFESA
VIA 20 SETTEMBRE
ROME, ITALY

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DEAR MR. MINISTER:

I AM GREATLY ENCOURAGED BY YOUR COURAGEOUS DECISION TO SEEK APPROVAL FROM YOUR PARLIAMENT AND TREASURY FOR ITALIAN PARTICIPATION IN NATO AWACS PROCUREMENT. I REALIZE THAT YOU FACE A DIFFICULT TASK IN OBTAINING APPROVAL FOR AN INCREASED ITALIAN CONTRIBUTION. NEVERTHELESS, IT IS EVIDENT THAT AN ITALIAN ANNOUNCEMENT OF PARTICIPATION AS SOON AS POSSIBLE WOULD PROVIDE DRAMATIC EVIDENCE OF THE VITALITY AND VIABILITY OF THE ALLIANCE, AND COULD WELL ENSURE THE SUCCESS OF THIS VITAL PROGRAM.

WITH REGARD TO THE ITALIAN DESIRE THAT ITALY'S CONTRIBUTION BE HELD TO A FIRM 5 M DOLLARS A YEAR THROUGH 1983, WE ARE PREPARED TO SUPPORT THIS WITH OUR ALLIES, AND IN KEEPING WITH THIS TO SUPPORT A PAYMENTS SCHEDULE AS DESCRIBED BELOW. I HOPE YOUR GOVERNMENT WILL NOW UNDERTAKE THE NECESSARY DISCUSSIONS IN BRUSSELS IN ORDER FOR A DECISION TO BE REACHED PRIOR TO THE MAY DPC MEETING.

UNDER THE SCHEDULE WE PROPOSE, THERE WOULD BE NO ITALIAN CONTRIBUTION TO PROCUREMENT (I.E., AIRCRAFT PROCUREMENT COSTS, GROUND ENVIRONMENT MODIFICATION, BASING, AND ADMINISTRATION COSTS) THROUGH THE END OF CY 1978.

BEGINNING IN 1979, ITALY WOULD CONTRIBUTE A FIXED SUM OF 5 M DOLLARS ANNUALLY. THIS WOULD CONTINUE THROUGH 1983. A PORTION OF EACH YEAR'S ITALIAN CONTRIBUTION WOULD BE CREDITED TO NORMAL INFLATION AND THE BALANCE OF THE BASIC ITALIAN SHARE OF 106.1 M DOLLARS (1977 DOLLARS). BEGINNING IN 1984, IF THE ITALIAN ECONOMIC SITUATION PERMITS, THE ITALIAN CONTRIBUTION WOULD INCREASE TO THAT AMOUNT NEEDED TO COMPLETE THE ITALIAN CONTRIBUTION OF 106.7 M DOLLARS, CONFIDENTIAL

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ADJUSTED BY NORMAL INFLATION, IN EQUAL INSTALLMENTS THROUGH 1987.

WITH RESPECT TO POSSIBLE CHANGES IN AWACS COSTS, WE EXPECT NORMAL INFLATION OF SOME 5 - 7 PERCENT A YEAR. BUT THERE SHOULD BE NO COST INCREASES OF THE SORT THAT OFTEN OCCUR IN MILITARY PROGRAMS DUE TO NEED FOR IMPROVED PERFORMANCE. THE RESEARCH AND DEVELOPMENT ON THIS SYSTEM IS LARGELY COMPLETE AND THUS THE RISK OF COST RISE IS VERY LOW. FURTHERMORE, COSTS FOR ADDITIONAL CAPABILITIES COULD NOT BE INCURRED WITHOUT APPROVAL BY THE NATO BOARD OF DIRECTORS, INCLUDING THE ITALIAN MEMBER. MOREOVER, THE BOARD OF DIRECTORS SHOULD HOLD MILESTONE REVIEWS TO INSURE THAT PROGRAM COSTS, SCHEDULES, AND QUALITY ARE MAINTAINED IN ACCORDANCE WITH THE CONTRACT.

OF COURSE, AS OUTLINED IN THE PAYMENTS SCHEDULE FORWARDED IN MY LETTER TO YOU OF 15 APRIL, OPERATIONS AND SUPPORT COSTS FOR THE AWACS FORCE WILL BEGIN IN 1979 AND GRADUALLY INCREASE THROUGH 1983, WHEN THEY WILL DROP AND LEVEL OFF FOR ITALY AT ABOUT 7.2 M DOLLARS ANNUALLY (1977 DOLLARS).

WE ARE PREPARED TO SUPPORT THIS SOLUTION STRONGLY IN DISCUSSIONS WITHIN THE ALLIANCE. I VERY MUCH HOPE YOU WILL NOTIFY ASYG WALSH OF YOUR WILLINGNESS TO BEGIN DISCUSSIONS ALONG THE ABOVE LINES. IN THE INTERIM, WE WOULD BE GLAD TO WELCOME ANY ITALIAN REPRESENTATIVES WHO MIGHT WISH TO VISIT WASHINGTON TO DISCUSS NATO AWACS. IT MAY ALSO BE POSSIBLE FOR MAJOR GENERAL RICHARD BOWMAN, OUR CHIEF AWACS NEGOTIATOR, TO VISIT ROME IN THE NEAR FUTURE FOR AN EXCHANGE OF CONFIDENTIAL

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VIEWS.

SINCERELY,

3. FOR USNATO: MISSION MAY IN ITS DISCRETION DRAW
ON SUBSTANCE OF THE ABOVE LETTER IN DISCUSSIONS WITH
ITALIANS AND OTHER ALLIES. PLEASE REPORT ANY REACTIONS
OF SIGNIFICANCE.

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